

**U.S. Department of the Treasury**



# **Community Development Financial Institutions Fund**

## **Commonwealth North**

Anchorage, Alaska

December 9, 2003

**CDFI**  
*fund*

# CDFI Fund Purpose

To promote economic revitalization and community development through investment in and assistance to CDFIs, including enhancing the liquidity of CDFIs.

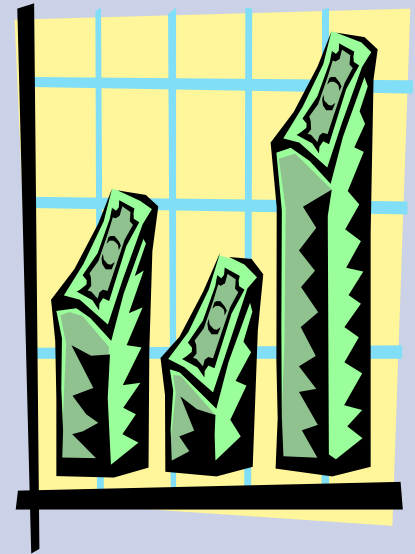
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# CDFI Fund Aligned with Treasury Mission

Treasury Goals	Treasury Objectives	CDFI Fund Objectives
<b><i>Promote prosperous U.S. and world economies</i></b>	Increase economic growth and create jobs	Improve the economic and living conditions of underserved communities by providing an array of community development financial services through CDFIs and CDEs.
<b><i>Preserve the integrity of financial systems</i></b>	Preserve and increase the reliability of the U.S. financial system	Strengthen the financing, capacity, sustainability or self-reliance of a nationwide network of regulated and non-regulated financial institutions serving underserved areas.

# CDFIs Originate Billions

- CDFIs manage \$9.3 billion in assets in underserved communities.
- CDFIs provide affordable banking services to individuals, and help finance small businesses, low-cost housing, and community services that, in turn, help stabilize neighborhoods and alleviate poverty.
- CDFIs include loan funds, credit unions, banks and venture funds with missions dedicated to community development.



# CDFI Fund Programs

## **CDFI Program:**

- Provides assistance to CDFIs and emerging CDFIs
- Certified CDFIs total nearly 700 institutions
- \$40 million budget for FY 2004

## **Native American Initiatives:**

- Supports development and growth of Native American CDFIs
- Fewer than 30 certified CDFIs, exclusive to Native Americans
- \$8 - \$10 million budget for FY 2004

## **Bank Enterprise Award (BEA) Program:**

- Provides awards to FDIC insured depository institutions for increasing investments in CDFIs and/or activities in distressed communities
- \$8 - \$9 million budget for FY 2004

## **New Markets Tax Credit :**

- Creates a tax credit for equity investments in Community Development Entities (CDEs)
- Certified CDEs total nearly 1,200
- \$2.5 billion allocated in FY 2002
- Up to \$3.5 billion to be allocated for FY 2003 - 2004

# CDFI Fund Awards in Alaska

- Under the CDFI Program 7 CDFIs have received 11 awards totaling \$8,376,750
- There are currently 5 certified CDIs in AL
  - Alaska Growth Capital BIDCO, Inc. (Anchorage)
  - Anchorage Neighborhood Housing Services
  - Fairbanks Neighborhood Housing Services
  - Haa Yakaawu Financial Corporation (Juneau)
  - Rural Alaska Investments & Finance (Anchorage)
- Under the NMTC Program 1 CDE has received an allocation of \$5 million
- There are currently 4 certified CDEs in Alaska
  - Alaska Growth Capital BIDCO, Inc. (Anchorage)
  - Alaska New Markets CDE, LLC (Anchorage)
  - Anchorage Neighborhood Housing Services
  - Rural Alaska Investments & Finance (Anchorage)

# NMTC Program Purpose

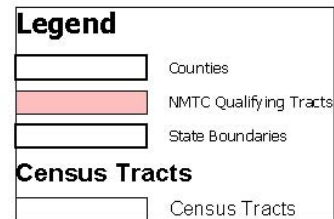
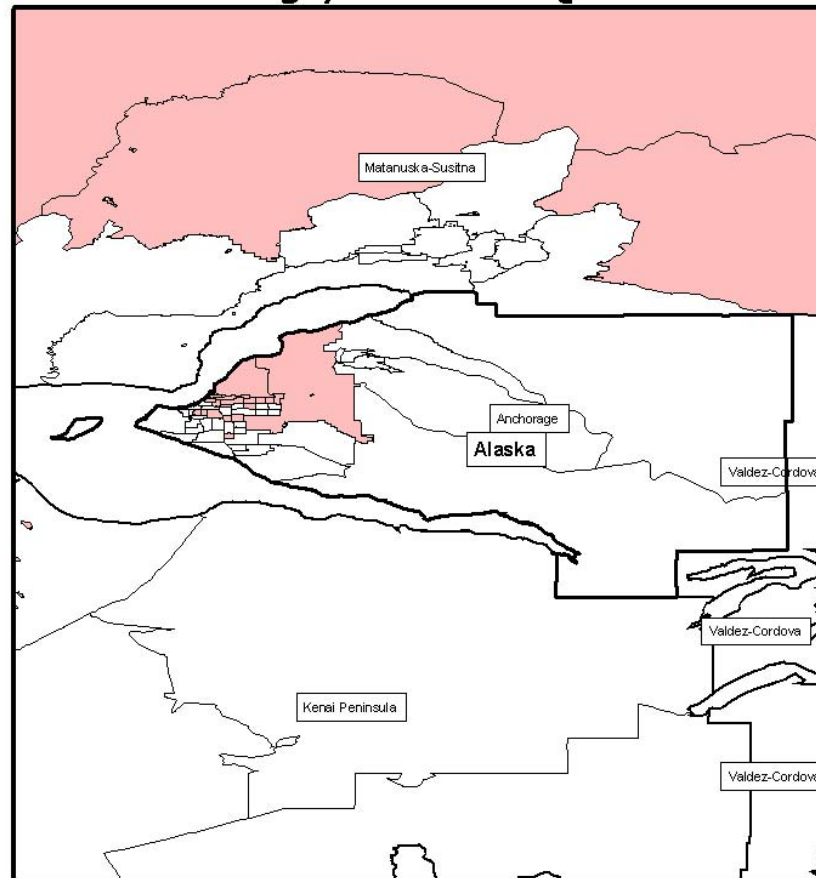
- Stimulate private sector investment in the economic development of low income communities
- Improve economically distressed communities
- Spur economic growth in new and emerging markets

# NMTC Program Overview

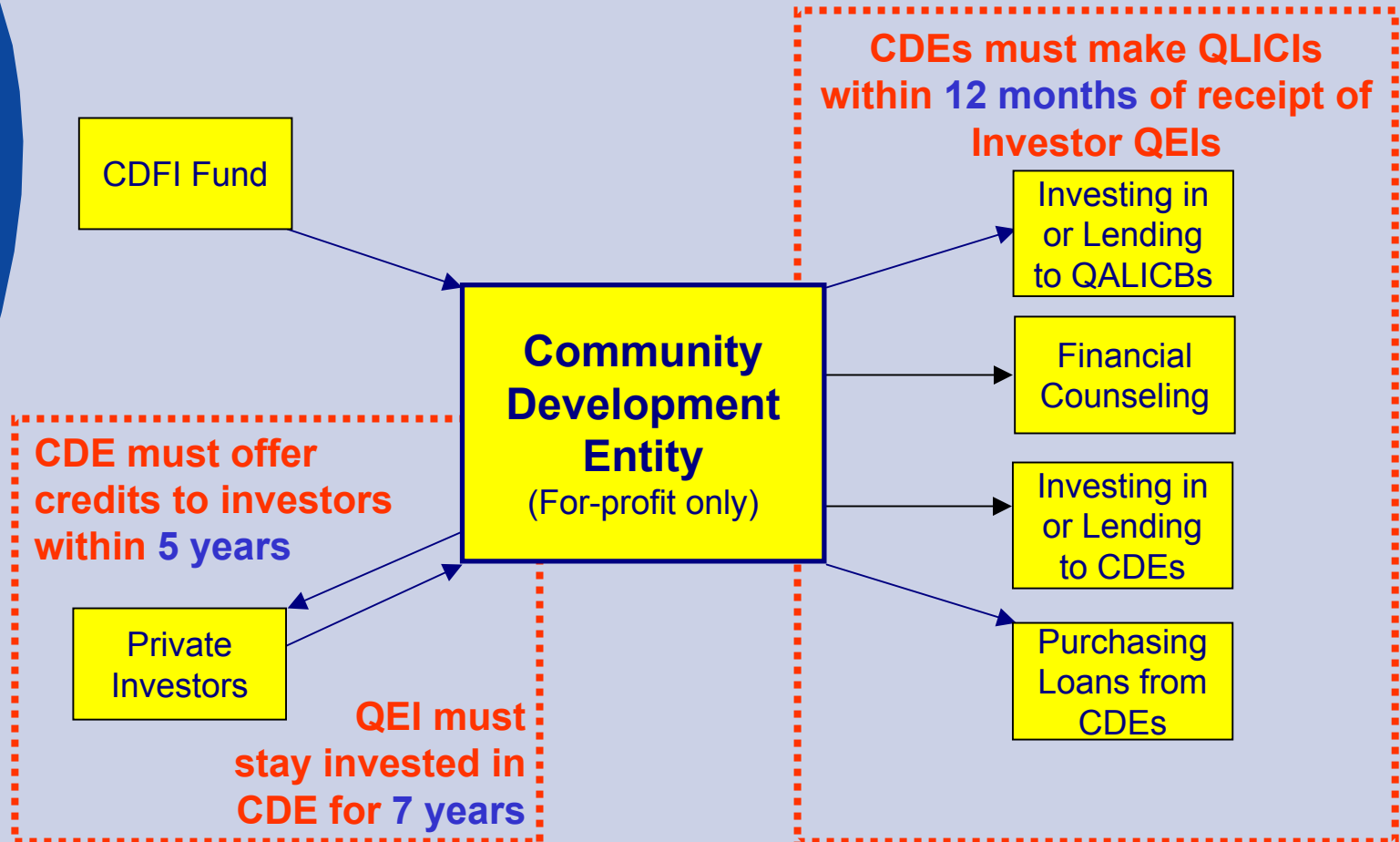
- Enacted on December 21, 2000
- Part of the Community Renewal Tax Relief Act of 2000
- Creates a tax credit for equity investments in Community Development Entities (CDEs)
- Beneficial to nearly 40 percent of the nation's geography



## Anchorage, AK: NMTC Qualified



# How it works...



# Credit Amount

- Credit taken over a 7-year period
- Credit rate:
  - 5% in each of the first 3 years
  - 6% in each of the final 4 years
- Equals 39% of amount of original investment

# Recapture

NMTCs may be recaptured from investors during the 7-year credit period if:

1)The QEI fails the “**substantially all**” requirement

- e.g., Failure to invest 85% as allowed;
- Failure of investment to meet QALICB requirements; or
- Failure to meet one-year investment requirement

2)The CDE ceases to qualify as a CDE

3)The CDE redeems the investment

It is not an event of recapture if a CDE files for bankruptcy.

# Applicant Pool Comparison

2003 Applicant Pool	2002 Applicant Pool
271 applications received	345 applications received
Total request: \$30 billion	Total request: \$26 billion
Average request: \$113 million	Average request: \$75 million
Largest request: \$1.5 billion	Largest request: \$1 billion
Smallest request: \$670,000	Smallest request: \$300,000

# \$2.5 billion Allocated in FY 2002

- 48 plan to invest in or lend to non-real estate QALICBs
- 52 plan to invest in or lend to real estate QALICBs
- 18 plan to invest in or lend to other CDEs
- 12 plan to purchase loans from other CDEs

# Sample Strategies: Business Entities, Developers & CDCs

## Option A: CDE Qualified

- Qualify as a CDE
- Apply directly for a NMTC allocation; or
- Apply to allocated-CDEs for a loan/investment
- Finance expansion or project(s)

## Option B: QALICB Qualified

- Qualify as a QALICB
- Apply to allocated-CDEs for a loan/investment
- Finance expansion or project(s)
- Visit website for list of CDFIs/CDEs

# Sample Strategies: Regulated Institutions

## Option A: Wholly-owned Affiliate

- Qualify as a CDE
- Apply directly for a NMTC allocation to raise equity for project(s)
- Finance internal or external project(s)

## Option B: Strategic Partnerships

- Determine business strategy/community impact objective
- Qualify eligible CDE(s)
- Make financial investment commitment

Note: Consult with applicable bank regulator on ownership and allowable business strategies



# CDFI Fund Contact Info.

For questions about the 2005 Allocation Round:

- Visit the Fund's website at [www.cdfifund.gov](http://www.cdfifund.gov)
- Contact the Fund directly:

## Programmatic Support

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